

Fairview Equity Partners Emerging Companies Fund

30 September 2019



Monthly Report

About the Fund

The Fund invests in an actively managed portfolio of mainly small cap equities listed, or expected to be listed, on the Australian share market.

Investment Objective

The Fund aims to earn a return (after fees) which exceeds the Benchmark over rolling five-year periods.

Benchmark

S&P/ASX Small Ordinaries Accumulation Index ("Benchmark")

Inception Date

8 October 2008

mFund Code

FEP01

APIR Code

ANT0002AU

Minimum Initial Investment

\$20,000

Management Fee

1.20% p.a. of the Fund's Net Asset Value.

Performance Fee

20.5% of the Funds quarterly return (after deducting the management fee) in excess of the Benchmark's quarterly return after recouping any prior periods' underperformance in dollar terms multiplied by the Fund's average net asset value over the quarter.

Distribution Frequency

Annually calculated on 30 June. However, there may be periods in which no distributions are made or the Fund may make additional distributions.

Buy/Sell Spread

+0.30% / -0.30%

Number of Stocks

53

Contacts

mlcam.com.au
fairviewequity.com.au
Email: client.services@mlcam.com.au
Client Services: 1300 738 355

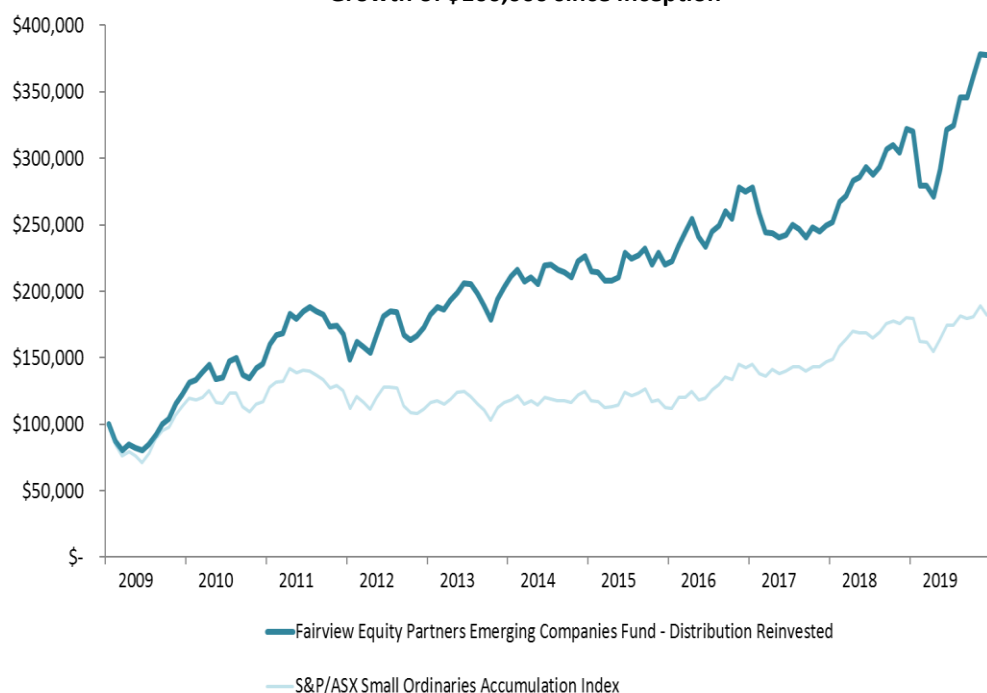
Net Performance

Period	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception ¹ % p.a.
Fund Return²	0.04	4.17	17.99	10.69	11.90	11.15	12.86
Benchmark³	2.61	3.11	3.95	8.80	9.61	4.55	5.85
Excess Return	-2.57	1.06	14.04	1.89	2.29	6.60	7.01

¹Fund inception date: 8 October 2008. ²Net returns are calculated after deducting management fees and are pre-tax.

³Benchmark: S&P/ASX Small Ordinaries Accumulation Index. Past performance is not a reliable indicator of future performance. The value of an investment may rise or fall with the changes in the market.

Growth of \$100,000 since inception



Performance and Market Outlook

A sudden rush to low quality/low value

September monthly performance of our fund was disappointing. The ASX Small Industrials index provided a good month, up 3.3% whilst the ASX Small resources were flat for September. The month witnessed a value stock rally. The ratchet up of value names from the 10th of September was extreme, if brief. On the flip side, Goldman Sachs calculated that momentum stocks were down 11% for that week. Upon reflection would we have done anything differently? Probably not as we had already trimmed many of our high growth momentum based performers over the past six months. Also, the average Price to Earnings ratio of the new entrants to the fund since the 1st of January 2019 has been 15x. This is a 20% discount to the small industrials. Relevant portfolio entrant examples include: SUL, SLR, CDA, ASB, CSR, JHG and MCP.

By stock

The biggest individual news in September was the takeover of Bellamy's at a whopping 59% premium to last trade. Speedcast also ran hard, up 58% for the month but still down 60% from our exit price in January 2019. As discussed above, owning momentum names such as Promedius, Appen and Bravura did hurt us. However, a well telegraphed and executed sell down by founders of Promedius was not taken positively with the stock down 24% in the month.

IPO rush

The long-awaited flurry of pre-IPO research reports has hit fund managers' desks. Many of these hopeful listings have private equity sellers, so a sense of caution is warranted. We consider there is a standard playbook of ex-private equity floats.

1. Increased debt levels
2. Enlistment of as many investment banks into the selling consortium as possible to minimize the chance of negative broker research
3. Maximisation of revenue growth in the year prior to IPO to demonstrate momentum and then argue forcefully that fund managers should extrapolate this growth into the forecast period.

By candidate

PropertyGuru is interesting but way too expensive, being priced on a 9 to 11x revenue multiple. Onsite Rental Group has been recently called out by clients and competitors for pricing very keenly to win market share against Coates Hire. Latitude Financial Group has been cleverly repositioned but has enormous downside leverage to a spike in bad debts. Retail Zoo's key franchise Boost Juice has endured some challenging years to deliver like for like sales growth. At the time of writing this monthly update we have not been given the final pricing range for each float described above, but note a sense of sanity amongst investors given the withdrawal of several recent IPOs. Fairview's historic take up of IPOs is low and we do not see this changing from the pool of candidates, above unless pricing is very keen.

What now

The next sign post is to see how many of these (and other) IPO candidates hit the boards or are pulled by the vendors. Each successful IPO sucks liquidity from the market and needs to be accounted for in portfolio positioning.

Investment Team



Michael Glenane

Portfolio Manager

BE, MBA

27+ years investment management experience



Tim Hall

Portfolio Manager

BComm

19+ years investment management experience



Leo Barry

Portfolio Manager

BSA, MBA

11+ years investment management experience

This report is issued by Antares Capital Partners Ltd ABN 85 066 081 114, AFSL 234483 ('ACP'), the responsible entity of, and the issuer of units in, the Fairview Equity Partners Emerging Companies Fund, ARSN 133 197 501 (the 'Fund'). ACP has appointed Fairview Equity Partners Pty Ltd ('Fairview'), ABN 45 131 426 938, AFSL 329052, a specialist Australian small company equities manager, as investment manager of the Fund. An investor should consider the current Product Disclosure Statement ('PDS') for the Fund in deciding whether to acquire, or continue to hold, units in the Fund and consider whether units in the Fund is an appropriate investment for the investor, and the risks of any investment. The PDS is available from mlcam.com.au or by calling the Client Services Team on 1300 738 355. The information in this report may constitute general advice. This report does not take account of an investor's particular objectives, financial situation or needs. Investors should therefore, before acting on information in this report, consider its appropriateness, having regard to the investor's particular own objectives, financial situation or needs. We believe that the information contained in this report is correct and that any estimates, opinions, conclusions or recommendations are reasonably held or made at the time of compilation. However, no warranty is made as to their accuracy or reliability. The information in this communication is subject to change without notice. All statements as to future matters are not guaranteed to be accurate and any statement as to past performance is not a reliable indication of future performance. ACP is a member in the group of companies comprised National Australia Bank Limited ABN 12 004 044 937, AFSL 230686, its related companies, associated entities and any officer, employee, agent, adviser or contractor ('NAB Group'). An investment in the Fund is not a deposit with or liability of, and is not guaranteed by the NAB Group.